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ANNUAL REPORT

OF

THE TENNESSEE PUBLIC SERVICE COMMISSION

For the Year 1986

TENNESSEE PUBLIC SERVICE COMMISSION

Nashville, Tennessee

TENNESSEE PUBLIC SERVICE COMMISSION

460 JAMES ROBERTSON PARKWAY
NASHVILLE, TENNESSEE 37219

FRANK COCHRAN, CHAIRMAN
KEITH BISSELL, COMMISSIONER
STEVE HEWLETT, COMMISSIONER

PAUL ALLEN, EXECUTIVE DIRECTOR
HENRY M. WALKER, GENERAL COUNSEL

February 23, 1987

The Honorable John S. Wilder
Speaker of the Senate
Legislative Plaza - Room 1
Nashville, Tennessee 37219

The Honorable Ed Murray
Speaker of the House of Representatives
Legislative Plaza - Room 19
Nashville, Tennessee 37219

Dear Gentlemen:

In accordance with the provisions of Title 65, Section 116, Tennessee Code Annotated, we herewith submit to you the Annual Report for the period beginning January 1, 1986, and ending December 31, 1986, of the Tennessee Public Service Commission.

We have endeavored to present as briefly as possible a summary of the details of the regulatory accomplishments of this Commission.

Respectfully submitted,

Frank Cochran
Chairman

Keith Bissell
Commissioner

Steve Hewlett
Commissioner

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COMMISSIONERS

JANE ESKIND, CHAIRMAN

Born in Louisville, Kentucky, educated in the Louisville Public Schools. Graduate of University of Louisville, B.A., 1956. Active in numerous civic, political, religious and educational organizations and endeavors including the League of Women Voters, Metro Nashville Private Industry Council, Tennessee Commission on the Status of Women, National Commission of Anti-Defamation League, Urban League, President's Council of Brandeis University, Democratic House/Senate Council, the American Judicature Society. Tennessee's Democratic Nominee for U.S. Senate 1978, Human Relations Award 1979, Democrat of the Year 1979. Elected for six-year term to the Public Service Commission in 1980, the first woman to win statewide public office. A resident of Nashville, married to Richard Eskind, two children.

FRANK COCHRAN, COMMISSIONER

Home, Tiptonville, Tennessee. Education - University of Tennessee at Martin, David Lipscomb College, University of Tennessee at Knoxville, University of Tennessee College of Law - Doctor of Jurisprudence. Four Term State Legislator, one term as House Floor Leader and two terms as Committee Chairman. City Attorney and City Judge in Tiptonville. County Attorney for Lake County. **Honored twice by National Jaycees as one of the "Outstanding Young Men in America". Member of Church of Christ. Married to former Patsy Whitfield, two sons, Kent and Craig. Elected to a six-year term in November 1976 and re-elected to a six-year term in November 1982.

KEITH BISSELL, COMMISSIONER

Born Oak Ridge, Tennessee. Attended Oak Ridge Public Schools. Served four years in the United States Air Force. Earned a B.S. Degree in Business Administration with a major in Transportation from the University of Tennessee at Knoxville. Worked as Director of the Transportation Rate Division of the Tennessee Public Service Commission from 1966-70 while attending night law school in Nashville. In 1970, earned Doctorate of Jurisprudence Degree and was elected the the Tennessee General Assembly. Elected to four terms in the Legislature during which time he served as Chairman of the House Labor and Consumer Affairs Committee, and the House Sub-Committee on Energy, Majority Whip, as a member of the National Conference of State Legislatures' Energy Task Force, and as a member of a special legislative committee established to study utilities and utility district legislation. Member of the Oak Ridge Jaycees, the Elks Club, the Eagles Club, the American Veterans Club, the Claxton Optomist Club and the Anderson County Bar Association. Member of the Brentwood United Methodist Church. Married to Patricia Bissell, two daughters, Debbie and Kelley.

COMMISSIONERS

FRANK COCHRAN, CHAIRMAN

KEITH BISSELL, COMMISSIONER

STEVE HEWLETT, COMMISSIONER

EXECUTIVE DIRECTOR..... PAUL ALLEN

ADMINISTRATIVE OFFICER..... JOHN GUENTHER

ACCOUNTING..... WHITFIELD BURCHAM

ASSESSMENT..... .... BARRY MURPHY

GAS SAFETY PROGRAM..... BARBARA DIXON

GOVERNMENAL AFFAIRS..... BOB DAVIS

LEGAL..... HENRY WALKER

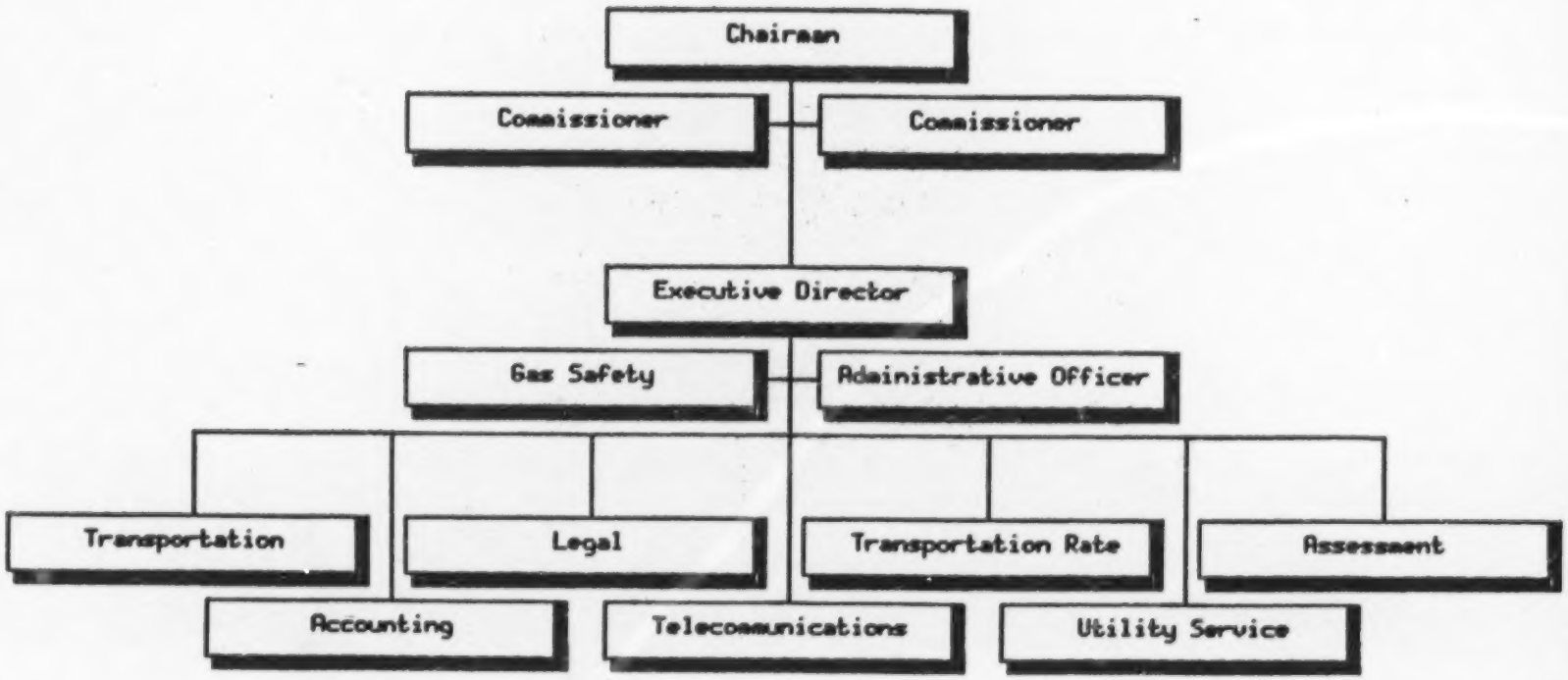
TELECOMMUNICATION..... TED TINGLEY

TRANSPORTATION..... JOHN GOSLIN

TRANSPORTATION RATE..... DON WINGO

UTILITY SERVICE..... DON McGEHEE

(FEBRUARY 23, 1987)


Chairman
Commissioner
Commissioner
Executive Director
Gas Safety
Administrative Officer
Transportation
Legal
Transportation Rate
Assessment
Accounting
Telecommunications
Utility Service

TENNESSEE PUBLIC SERVICE COMMISSION

ITS COMPOSITION, PURPOSES, AND FUNCTIONS

The Tennessee Public Service Commission consists of three elected members. Each Commissioner's term of office is for six years, one member being elected biennially in a statewide election to succeed the Commissioner whose term expires next after said election. By statute each grand division of the State of Tennessee has a representative member of the Commission, and the Commissioners themselves elect a Chairman biennially.

The Commission is a statutory body with several basic functions delegated it by the Legislature. Primarily these may be stated as the supervision of all aspects of railroads, motor carriers, and utilities that perform services within the boundaries of Tennessee (intrastate) and the assessment of all county and municipal ad valorem taxes of these utilities. The Commission's legislative powers include the making of all necessary rules for utility operations, including the operating rates and the complete administration of these rules. Further, it has quasi-judicial powers including decisions concerning public convenience and necessity and the authority of decision concerning any conflicts or controversies arising from utility operations.

No governmental agency, state or national, has more profound impact upon the daily lives of Tennessee residents than does the Tennessee Public Service Commission.

Under the Commission's jurisdiction are those things supplied by private enterprise which people of the State must have; light, power, heat, communication and transportation. Private residents or managers of vast industry who trip an electric switch, adjust a thermostat, lift a telephone, ride a public carrier, and who ship or receive commodities by rail or motor carrier are to some degree affected by the responsibility of the Commission to see that adequate service is provided at a reasonable charge.

State regulation of privately owned and operated utilities is a product of the democratic system. In essence, the primary purpose of the Tennessee Public Service Commission is to insure service to the public at fair and just rates by the utilities which it regulates.

Today's public utility, to a large extent, is owned by the same public which it serves through the continuing expansion of its stock ownership. Destruction, through regulation in the guise of public benefit, would devastate the public investors in the private utilities as well as the public customers of that utility.

In its own area each utility subject to regulation by the Tennessee Public Service Commission has, in a broad sense, a monopoly. When overlapping or when in potential conflict in competition, these utilities must show necessity for their services, the ability to serve at a reasonable price, and long-range benefits to the public. Wasteful competition by duplication of services would be at public cost. Destructive competition eventually could victimize the public.

The Tennessee Public Service Commission has jurisdiction over electric companies, telephone companies, water companies, gas companies, telegraph companies, power transmission companies, sewerage companies, mobilphone companies, railroad companies, express companies, sleeping car companies, motor truck companies, and motor bus companies.

DUTIES OF THE COMMISSION

The Legislature has vested in the Tennessee Public Service Commission certain broad and general powers which have been judicially recognized and affirmed by the Supreme Court of Tennessee. These may be generally summarized as follows:

1. Legislative powers which include the making of rules. A familiar example of this function is the Commission's duty of prescribing regulations including rates to be observed by public service companies.

2. Administrative powers which include the application of the rules prescribed and the application of the laws enacted by the Legislature in particular.

3. Quasi-judicial powers which include the decision of controversies arising within the jurisdiction of the Commission as well as the holding of hearings to determine that which meets the public convenience and necessity.

Some of the routine duties of the Commission which are performed regularly and which fall under the broad general headings heretofore outlined are as follows: The maintenance of current calculations for rate making purposes of all utilities; the checking of monthly and annual operating reports; the computation of rates of return of companies subject to the Commission's jurisdiction; the investigation, determination, and fixing of just and reasonable rates; the making of investigations, and the holding of hearings; the determination of the propriety of granting certificates of convenience and necessity to public utilities and motor carriers making application therefore, after public hearing; cooperation with federal agencies with powers parallel to those of the Tennessee Public Service Commission including the Federal Communications Commission, the Federal Energy Regulatory Commission, and the Interstate Commerce Commission for the purpose of coordinating regulation and the protection of the interests of Tennessee and its citizenry; the valuation and assessment annually of all railroad, utility and motor carrier properties in the State for county and municipal ad valorem purposes.

The Tennessee Public Service Commission works in conjunction with the Department of Transportation, Office of Pipeline Safety, in enforcing safety standards for transportation of gas by pipeline. Under the jurisdiction of the Commission for this purpose are privately owned gas companies, gas utility districts, municipal gas operations, and Federal housing projects.

There are various other duties performed by the Commission under its own rules and regulations, all of which are related in one way or another to the rates, services, capital structure, income, reports and systems of accounts of the companies operating within the State of Tennessee over which the Commission has jurisdiction.

The Tennessee Public Service Commission meets in regular session referred to as the "Commission Executive Conference" on the first, third and fifth Tuesday of each month. These are public meetings open to the public and the minutes of each meeting are fully recorded and are open to public inspection. These meetings are held in compliance with Chapter 442, Public Act of 1974, commonly referred to as the "Sunshine Law."

WHAT THE COMMISSION DOES NOT DO

The Commission is excluded by Tennessee law from any jurisdiction to regulate the rates, services or operations of a number of enterprises generally considered to be public utilities.

These include:

1. Any water, gas (except for safety), electric, or similar utility system owned or operated by any agency of the United States, the State of Tennessee, or any county or incorporated town or city in Tennessee, and any transportation system so owned or operated. (Section 65-401, Tennessee Code Annotated).

2. Any water, gas (except for safety), or similar utility system organized and operating as a utility district under the Utility District Law of 1937. (Section 6-2613, Tennessee Code Annotated).

3. Any electric and telephone cooperative not organized or doing business for profit. (The sole jurisdiction over such cooperatives which the Commission has is to assess their properties for county and municipal taxation.) (Section 65-401; 65-2530; Tennessee Code Annotated).

4. Any bus carrier of passengers, operating exclusively within the corporate limits of any municipality or within a distance of two to seven miles outside such limits, depending on the population of the city. The rates, services and operations of such companies are regulated exclusively by the cities in which they operate. (Section 65-1001, Tennessee Code Annotated).

The members of the Commission and its staff frequently receive calls and letters making complaints about some phase of the operation of these non-regulated enterprises; but due to the limits placed on its authority by the Tennessee Legislature, the Commission lacks jurisdiction to handle such complaints.

SUBJECTS OF THE COMMISSION'S JURISDICTION

As of December 31, 1986, the railroads, motor carriers, and public utilities, subject to the jurisdiction of the Tennessee Public Service Commission were by approximate number and general classification as follows:

Motor Bus Companies (Passenger)	899
Motor Truck Companies:	
ICC Regulated Carriers	9,731
Exempt Carriers	8,313
Passenger & Sleeping Car Company	0
Private Car Companies	219
*Public Utilities	299
Railroads	20
**Air Line Companies	19
Barge Line Companies	11

*The Term "Public Utility" applies generally to all of the above but specifically in this instance to the following which are included in the composite figure:

Electric Companies	3
**Electric Cooperatives	25
***Gas Companies, Utility Districts & Municipalities	95
***Transmission Lines & Direct Sales Customers	25
***Housing Authorities, Apartments, Motels & Mobile Home Parks	63
Mobilphone Companies	11
Pipeline Companies	17
Power Transmission Companies	3
Telephone Companies	18
**Telephone Cooperatives	10
Telephone Long Distance Companies	5
Water & Sewerage Companies	15
Cellular Telephone Companies	9

**Air Line, Water Transportation Carriers, Electric Cooperative and Telephone Cooperative Companies are under the Commission's jurisdiction only for Ad Valorem Tax Assessment.

***Utility Districts and Municipalities are under the jurisdiction of the Tennessee Public Service Commission insofar as gas safety is concerned. Pipeline companies are under this Commission's jurisdiction insofar as gas safety is concerned and for Ad Valorem Assessment.

EXECUTIVE DIRECTOR

Obviously the three commissioners cannot perform the numerous duties of their offices without extensive and expert assistance.

This is provided in a staff organization consisting of an Executive Director, ten divisions, administrative office, budget and personnel sections.

These are assisted by a field staff of railroad safety inspectors, motor carriers enforcement officers, gas safety inspectors, and utility investigators who help see that the rules and regulations of the Commission are enforced.

The Executive Director performs both the role of Secretary and that of Executive Director and is responsible for planning, directing, and coordinating the entire operation of the Commission. The Executive Director is delegated the responsibility and authority to direct the internal operations of the Commission. This includes the development of administrative policies and procedures including fiscal and personnel procedures.

The Executive Director with the assistance of those working under his supervision relieves the Commissioners of many administrative tasks that formerly consumed much of their time. The Director is authorized by the Commission to take necessary action to require that the duties, responsibilities, and assignments of the divisions of the Commission are accomplished in an effective and efficient manner and to issue directives to the employees of the Commission to achieve that objective. Generally, the duties of the Executive Director are as follows:

1. Custodian of the official records of the Commission.

2. Develop and review internal administrative policies and procedures.

3. Plan, direct, and coordinate the administrative activities of the Commission's staff.

4. Coordinate and expedite matters pending before the Commission.

5. Develop effective fiscal and personnel management.

6. Serve as Personnel Officer.

7. Assist in keeping the public advised of the responsibilities and the duties of the Public Service Commission.

Under the direct supervision of the Executive Director are the Main Office Section, the Administrative Section, and the Budget-Personnel Section. The main duties of these sections are as follows:

MAIN OFFICE SECTION

1. Distribution of mail.
2. Scheduling of hearings.
3. Maintain list of all pending dockets.
4. Preparation of certifications to Chancery Court.
5. Maintain ledger of accounts receivable for certified copies, transcripts, and xerox copies; and send invoices for these documents.
6. Keep the Minute Book.
7. Maintain file of all original orders.
8. Maintain permanent records of all hearings.
9. Maintain record of all files sent to Archives.
10. Record word-by-word proceedings of all formal hearings.
11. Upon request prepare transcripts of hearings.
12. Edit, publish, and distribute the Commission's reports, rules, and regulations.

BUDGET-PERSONNEL SECTION

1. Preparation of the budget.
2. Preparation of the payroll.
3. Audit and control of expenditures.
4. Collect and deposit receipts.
5. Maintain personnel records.
6. Maintain all fiscal reports of the Commission.
7. Process travel claims.
8. Process requests for purchases.
9. Handle insurance and retirement matters.

APPROPRIATIONS, FEES AND EXPENSES

For the Fiscal Year 1985-86, the General Assembly appropriated $7,247,692.75 for the operation of the Tennessee Public Service Commission. The expenditures were $6,196,263.38.

DISBURSEMENTS

Personal Services and Employees' Benefits.....	$ 4,864,672
Travel.....	539,307
Printing and Duplicating.....	43,619
Utilities and Fuel.....	12,262
Communications and Shipping Costs.....	211,758
Maintenance and Repairs.....	39,807
Professional and Administrative Services.....	55,109
Supplies.....	326,969
Rental and Insurance.....	95,550
Motor Vehicle Operation.....	35,118
Awards and Indemnities.....	224
Grants and Subsidies.....	6,047
Equipment.....	47,198
Buildings.....	34,843
TOTAL.....	$ 6,312,483

REVENUE FEES

Railroad Inspection.....	$ 210,958.58
Certified Copy.....	150.00
Utility Filing Fee.....	425.00
Motor Carrier Inspection.....	2,374,269.00
Utility Inspection.....	1,258,183.05
Motor Carrier Filing Fee.....	95,485.00
Departmental Revenue.....	2,256,792.75
TOTAL.....	$ 6,196,263.38

ABSTRACT OF MINUTES

The abstract of minutes of the Tennessee Public Service Commission submitted hereafter covers the period from January 1, 1986 to December 31, 1986.

The minutes of the Tennessee Public Service Commission are kept on permanent file in the office of the Executive Director. These are available to the public for inspection at all times. The Official Minutes show every action taken by the Commission. The abstract of the minutes are recorded in permanent bound volumes and are prepared in a manner permitting immediate reference to the actions of the Commission. The following data are submitted in connection with each item of business:

1. Docket number.
2. Name of Applicant or Petitioner.
3. Subject matter of application or petition.
4. Date of final order.
5. A summary of the Commission's action relative to the matter.

An abstract or condensation of the minutes of the Tennessee Public Service Commission covering the period of January 1, 1986, through December 31, 1986, show total of 8,351 actions related to motor carriers, 40 actions related to railroads; and 170 actions related to utilities.

During the year ended, 4,289 final orders have been written and entered on the Commission's Minute Books; and a total of 4,274 filings have been received by the Commission.

UTILITIES

Applications for Certificate of Convenience and Necessity

Filed	7
Granted	3
Withdrawn	0
Denied	0
Dismissed	9
Pending	6

Applications for Approval of Franchise & Political Subdivisions

Filed	3
Granted	3
Dismissed	0
Pending	0

Applications & Petitions for Approval of Financing

Filed	9
Granted	9
Amended	0
Denied	0
Pending	1

Applications for Approval of Transportation Contracts

Filed	12
Granted	13
Pending	0

Applications & Petitions for Rate Revisions

Filed	16
Granted	11
Amended	0
Denied	1
Dismissed	1
Withdrawn	2
Pending	10

MISCELLANEOUS

Filed	25
Granted	24
Denied	0
Dismissed	8
Withdrawn	2
Pending	13

MOTOR CARRIERS

Total Certificate of Convenience & Necessity Applications Filed in 1986	35
Total Emergency Temporary Authority Applications Filed in 1986	10
Total Contract Hauler's Permit Applications Filed in 1986	25
Total Interstate Permit Applications Filed in 1986	2,427
Total Exempt Interstate Permit Applications Filed in 1986	933
TOTAL APPLICATIONS FILED	3,430

Applications for New Certificates of Convenience & Necessity

Filed	35
Granted	37
Denied	2
Amended	2
Dismissed	22
Pending	23

Applications for New Contract Hauler's Permits

Filed	25
Granted	20
Denied	1
Amended	1
Dismissed	7
Pending	12

Applications for Emergency Temporary Authority

Filed	10
Granted	7
Denied	3
Amended	2
Pending	0

Petitions for Transfer of Certificates

Filed	91
Approved	85
Amended	1
Dismissed	0
Denied	1
Petitions Pending	8

Petitions to Intervene

Filed	182
Granted	182

SMC Dockets Filed	14
Show Cause Orders	2
Certificates or Permits cancelled, suspended & reinstated	453

RAILROADS

Applications and Petitions for Minimum Clearance Exceptions	
Filed	1
Granted	3
Denied	0
Pending	1
Applications and Petitions for Rate Increases	
Filed	1
Granted	1
Dismissed	0
Withdrawn	0
Pending	0
Show Cause Orders	
Issued	5
Dismissed	2
Pending	6
Petition to Close Stations	
Filed	7
Granted	10
Withdrawn	1
Pending	3
Miscellaneous Petitions and Miscellaneous Matters	1

ADMINISTRATIVE SECTION

The Administrative Section is a Section of the Executive Director's office, under the supervision of the Administrative Officer. The office is staffed with six employees. A brief summary of the responsibilities of the Section would include the following:

The Administrative Section maintains all Commission docket files in its central filing system. This Section is responsible for the supervision of a continuing records management program for the Commission. All records and forms duplication is coordinated in the Administrative Section.

The Administrative Section is responsible for purchasing and distributing all equipment and supplies. The maintenance of inventory of equipment and supplies is also a function of this Section.

The Administrative Section serves as an office support system for all divisions within the Commission. The building maintenance and grounds supervision is also a responsibility of the Section.

ACCOUNTING DIVISION

The Accounting Division has two primary functions. One is to submit financial data to the Commission to use in formal rate proceedings and the other is to establish and supervise the several uniform systems of accounts adopted by the Commission. In order for effective regulatory control to be possible, utilities providing similar services of similar size must use the same accounting systems.

In conducting its primary function the Accounting Division performs two types of audits. Compliance Audits are conducted to determine if utilities are complying with applicable Uniform System of Accounts and other Commission rules, regulations and directives. Rate Case audits are conducted to determine if financial data submitted by utilities in formal rate proceedings is proper for the Commission to use to set just and reasonable rates.

Utilities under the Commission's jurisdiction are required to submit various monthly, quarterly and annual financial reports to the Accounting Division. These reports are carefully analyzed and scrutinized as part of the Commission's "constant surveillance" policy. The reports are filed and used as reference material in preparing technical reports in connection with formal rate cases, depreciation rate studies, and various statistical reports. These reports and studies allow the Commission to keep abreast of the current earnings performance of the utilities under its regulatory authority.

Members of the Accounting Division participate in public rate hearings for the purpose of submitting expert testimony and exhibits relating to accounting matters. Another function of the Division is to analyze all accounting data submitted by the applicant in such rate cases and, in conjunction with the Legal and Rate Divisions, prepare cross-examination of the applicants' exhibits and testimony.

The Accounting Division also prepares general statistical data pertaining to all utilities which reflects, among other things, comparative revenue, expense, and investment per customer of the various utilities. A small part of this statistical data is embodied in this report. This information serves as a useful tool in all functions of the Accounting Division.

Another task assigned to the Accounting Division is the billing, collection and verification of all inspection fees paid by utilities or railroads as prescribed in TCA 65-4-301 or other entities whom the Commission has authority to inspect under the gas safety program.

The primary duties of the Accounting Division are more fully presented below:

1. General Accounting
   a. Drafting Systems of Accounts.
   b. Promulgation of accounting rules and regulations.
   c. Interpretation of System of Accounts and explanation of accounting rules and regulations.
   d. Advice relative to all matters of accounting affecting regulation.

2. Audit and Field Investigations
   a. Rate case audits.
   b. General compliance audits.
   c. Audit of monthly, quarterly and annual reports.
   d. Field investigations of small companies for the purpose of verifying or assisting with preparations of reports.
   e. Internal audit of motor carrier fees.

3. Rate Case Audits
   a. Analysis of testimony and exhibits filed in connection with applications for rate increases.
   b. Assist with cross-examination of witnesses.
   c. Preparation of accounting testimony and exhibits filed on behalf of the staff.
   d. Studies of reports and budget estimates of the company under consideration and comparisions with other utilities.
   e. Forecasted estimates of plant, revenues, expenses, rate of return, capital struture and other information as appropriate.
   f. Assist in preparation of legal briefs and proposed orders.

4. General Compliance Audits
   a. Determine use of appropriate system of accounts.
   b. Determine compliance with other Commission Orders and directives.
   c. Determine proper treatment for financial transactions.
   d. Issue audit reports setting forth audit exceptions and recommendations.

5. Report Analysis
   a. Review of monthly, quarterly and annual reports of utilities operating in Tennessee.
   b. Preparation of monthly and quarterly earnings reports.
   c. Annual review of earnings for all utilities.
   d. Preparation and modification of report forms when such cannot be obtained from other authorities.

6. Statistical
   a. General data pertaining to all utilities.
   b. Detailed data prepared on a per customer or unit basis for comparison purposes.
   c. Other data as required.

The following is a list of major activities which required extensive investigation by the accountants and auditors of the Commission during 1986.

Company	Docket	Assignment	Status at 12/19/86
South Central Bell	U-86-7431	Authorized ROR	Closed
General Tel. of the South	U-86-7437	Rate Case	Closed
Cartwright Creek Utility	U-86-7441	Rate Case	Pending
United Cities Gas Co. & Tennessee Virginia Energy Co.	U-86-7442	Rate Case	Pending
South Central Bell	U-86-7443	Earnings Level	Closed
United Inter-Mountain Tel.	U-86-7444	Earnings Level	Closed
Concord Telephone Exchange	U-86-7446	Dep. Rates	Closed
South Central Bell	U-86-7465	Inside Wire	Closed
All Telephone Companies	U-86-7466	Inside Wiring	Pending
Tennessee Telephone Company	U-86-7469	Dep. Rates	Closed
Hardin County Gas Company	U-86-7471	Earnings Level	Closed
All Gas Companies	G-86-1	PGA	Pending
Adamsville Telephone Company		Compliance Audit	Closed
Claiborne Telephone Company		Compliance Audit	Closed
Loretto Telephone Company		Compliance Audit	Closed
Ardmore Telephone Company		Compliance Audit	Pending
Crockett Telephone Company		Compliance Audit	Pending
West Tennessee Telephone Co.		Compliance Audit	Pending

SUMMARY OF REGULATED UTILITIES
INVESTMENTS, RESERVES, REVENUES AND EXPENSES

The Accounting Division prepares general statistical data which it uses to study each regulated utility. The statistics embodied in this report are a composite of all privately owned telephone, gas, water, mobilphone and long distance interexchange carrier utilities and the related customer growth which has taken place within the time period shown.

In 1981, the total "average gross plant investment" for all utilities was $2,998,727,305. In 1985 the average had grown to $3,475,178,118 representing a growth of $476,450,813. This growth in investment was necessitated by an increase in the number of customers served, ordinary retirement of old plant and technological advances requiring replacement of obsolete equipment.

During this same period annual operating revenues increased $501,892,459 with a corresponding increase in annual operating expenses of $468,567,340.

The changes which have taken place in net operating income can be best exemplified by viewing statistical sheets of the separate utilities in the following pages.

The rate of return realized on net plant is presented in the following statistical data for each utility area and generally reflects the earnings available to support the debt and equity capital.

SUMMARY OF TENNESSEE PRIVATELY OWNED TELEPHONE INVESTMENTS
RESERVES, REVENUES, EXPENSES AND CUSTOMERS DATA

PLANT	1981	1982	1983	1984	1985
Average Gross Plant in Service	$ 2,804,936,297	$ 2,989,459,302	$ 3,124,215,092	$ 3,086,934,544	$ 3,083,474,165
Average Depreciation Reserve	480,025,828	555,244,939	637,978,697	693,023,839	774,745,643
Average Net Plant in Service	$ 2,324,910,469	$ 2,434,214,363	$ 2,486,236,395	$ 2,393,910,705	$ 2,308,728,522
REVENUES and EXPENSES					
Operating Revenues	$ 1,132,390,893	$ 1,232,208,849	$ 1,261,480,609	$ 1,115,818,254	$ 1,249,885,165
Depreciation Expense	173,166,912	182,624,755	196,968,479	174,575,375	214,227,469
Operating Taxes	198,086,992	212,266,247	226,894,998	208,811,716	230,096,687
Other Operating Expenses	535,134,402	606,244,526	602,468,941	514,368,777	562,497,319
Total Operating Expenses	$ 906,388,306	$ 1,001,135,528	$ 1,026,332,418	$ 897,755,868	$ 1,006,821,475
Net Operating Income	$ 226,002,587	$ 231,073,321	$ 235,148,191	$ 218,062,386	$ 243,063,690
Rate of Return *	9.72%	9.49%	9.46%	9.11%	10.53%
CUSTOMER DATA**					
Business Access Lines	320,414	410,002	419,769	414,878	460,441
Business Extensions	440,765	N/A	N/A	N/A	N/A
Residential Access Lines	1,425,973	1,444,030	1,429,856	1,471,364	1,508,448
Residential Extension	962,797	N/A	N/A	N/A	N/A
Total	3,149,949	1,854,032	1,849,625	1,886,242	1,968,889

*Ratio of net operating income to net plant
** 1981 is not comparable with laters years due to reporting change from main stations to access lines.

SUMMARY OF TENNESSEE PRIVATELY OWNED WATER INVESTMENTS
RESERVES, REVENUES, EXPENSES AND CUSTOMERS DATA

	1981	1982	1983	1984	1985
PLANT					
Average Gross Plant in Service	$ 63,805,318	$ 67,810,148	$ 68,255,178	$ 70,270,425	$ 72,031,690
Average Depreciation Reserve	10,911,593	11,831,305	12,250,580	13,015,847	14,076,495
Average Net Plant in Service	$ 52,893,725	$ 55,978,843	$ 56,004,598	$ 57,254,578	$ 57,955,195
REVENUES and EXPENSES					
Operating Revenues	$ 15,542,729	$ 16,381,048	$ 17,307,886	$ 18,293,398	$ 18,744,222
Depreciation Expense	1,023,095	1,081,647	1,134,426	1,183,519	1,230,898
Operating Taxes	2,536,564	2,615,403	2,854,866	3,185,316	3,447,842
Other Operating Expenses	7,216,830	7,929,128	8,217,181	8,765,067	9,188,036
Total Operating Expenses	$ 10,776,489	$ 11,626,178	$ 12,206,473	$ 13,133,902	$ 13,866,776
Net Operating Income	$ 4,766,240	$ 4,754,870	$ 5,101,413	$ 5,159,496	$ 4,877,446
Rate of Return *	9.01%	8.49%	9.11%	9.01%	8.42%
CUSTOMER DATA					
Residental Customers	57,364	58,288	58,008	57,273	57,916
Commercial, Industrial and Other Customers	6,634	6,842	6,922	7,003	7,131

*Ratio of net operating income to net plant

SUMMARY OF TENNESSEE PRIVATELY OWNED MOBILPHONE INVESTMENTS
RESERVES, REVENUES, EXPENSES AND CUSTOMERS DATA

	1981	1982	1983	1984	1985
PLANT					
Average Gross Plant in Service	$ 8,299,234	$ 9,408,437	$ 11,036,813	$ 12,945,005	$ 10,616,794
Average Depreciation Reserve	3,816,364	4,699,588	5,490,191	5,959,096	4,481,521
Average Net Plant in Service	$ 4,482,870	$ 4,708,849	$ 5,546,622	$ 6,985,909	$ 6,135,273
REVENUES and EXPENSES					
Operating Revenues	$ 4,952,574	$ 5,787,327	$ 7,139,821	$ 8,703,527	$ 6,602,579
Depreciation Expense	1,085,120	1,098,215	1,344,822	1,605,378	1,020,839
Operating Taxes	246,417	263,188	209,861	249,944	321,543
Other Operating Expenses	3,011,654	3,453,821	4,352,285	5,242,034	4,908,635
Total Operating Expenses	$ 4,343,191	$ 4,815,224	$ 5,906,968	$ 7,097,356	$ 6,251,017
Net Operating Income	$ 609,383	$ 972,103	$ 1,232,853	$ 1,606,171	$ 351,562
Rate of Return *	13.59%	20.64%	22.23%	22.99%	5.73%
CUSTOMER DATA					
One Way Units	16,133	19,551	25,098	28,367	31,930
Two Way Mobile Telephone Units	1,480	1,437	1,774	1,713	1,527

* Ratio of net operating income to net plant.

SUMMARY OF TENNESSEE PRIVATELY OWNED GAS INVESTMENTS
RESERVES, REVENUES, EXPENSES AND CUSTOMER DATA

	1981	1982	1983	1984	1985
PLANT					
Average Gross Plant in Service	$ 121,686,456	$ 129,308,919	$ 149,490,149	$ 159,089,608	$ 175,580,405
Average Depreciation Reserve	41,025,670	44,823,966	55,134,295	59,256,722	65,785,152
Average Net Plant in Service	$ 80,660,786	$ 84,484,953	$ 94,355,854	$ 99,832,886	$ 109,795,253
REVENUES and EXPENSES					
Operating Revenues	$ 202,258,222	$ 236,741,519	$ 268,377,085	$ 269,970,974	$ 261,327,520
Depreciation Expense	4,195,882	4,565,258	5,423,611	5,947,720	6,790,467
Operating Taxes	8,567,792	6,612,582	9,111,768	16,333,129	9,807,226
Purchased Gas Expense	165,175,207	198,794,084	220,106,188	205,636,795	204,950,708
Other Operating Expenses	19,107,899	21,100,161	25,346,586	28,133,505	30,663,371
Total Operating Expenses	$ 197,046,780	$ 231,072,085	$ 259,988,153	$ 256,051,149	$ 252,211,772
Net Operating Income	$ 5,211,442	$ 5,669,434	$ 8,388,932	$ 13,919,825	$ 9,115,748
Rate of Return *	6.46%	6.71%	8.89%	13.94%	8.30%
CUSTOMER DATA					
Residental Customers	104,485	106,383	107,301	112,199	117,585
Commercial, Industrial and Other Customers	24,878	25,981	26,388	27,852	28,884

* Ratio of net operating income to net plant.

SUMMARY LONG DISTANCE INTEREXCHANGE CARRIER (AT&T) INVESTMENTS
RESERVES, REVENUES, EXPENSES AND CUSTOMERS DATA

	1981	1982	1983	1984	1985
PLANT					
Average Gross Plant in Service	$ 0	$ 0	$ 0	$ 132,392,515	$ 133,475,064
Average Depreciation Reserve	0	0	0	30,834,265	34,144,378
Average Net Plant in Service	$ 0	$ 0	$ 0	$ 101,558,250	$ 99,330,686
REVENUES and EXPENSES					
Operating Revenues	$ 0	$ 0	$ 0	$ 286,378,012	$ 320,477,391
Depreciation Expense	0	0	0	5,897,366	10,588,917
Operating Taxes	0	0	0	12,904,371	14,847,763
Other Operating Expenses	0	0	0	261,890,472	282,534,386
Total Operating Expenses	$ 0	$ 0	$ 0	$ 280,692,209	$ 307,971,066
Net Operating Income	$ 0	$ 0	$ 0	$ 5,685,803	$ 12,506,325
Rate of Return	N/A	N/A	N/A	5.60%	12.59%
CUSTOMER DATA					
Subscribers (End of Year)	N/A	N/A	N/A	N/A	N/A

* Operations began at 1/1/84 with AT&T divestiture.

ASSESSMENT DIVISION

The Assessment Division's function is to set, on an annual basis, an equitable assessment of all property (tangible or intangible) in the State of Tennessee, owned and/or leased by all public utility and transportation companies under the State of Tennessee's jurisdiction. For 1986 this include: 714 Trucking Companies; 20 Railroad Companies; 60 Bus Companies; 219 Private Car Companies; 19 Airline Companies; 11 Barge Line Companies; 11 Mobilephone Companies; 17 Pipeline Companies; 25 Electric Cooperative Companies; 1 Telegraph Company; 5 Long Distance Telephone Companies; 10 Telephone Cooperative Companies; 18 Telephone Companies, 15 Water & Sewerage Companies; 6 Gas Companies; 3 Electric Companies; 3 Power Transmission Companies; and 9 Cellular Telephone Companies.

Subsequent to the Assessment Division's ratification of these assessments, it is a requirement in accordance with Tennessee Code Annotated, Section 67-5-1328 to file these assessments with the Tennessee State Board of Equalization (hereinafter referred to as "TSBOE") for review and final valuation. All companies assessed by the Assessment Division have the option to appeal their assessment via a hearing before the TSBOE, who, has full authority to alter such assessment (whether it be an increase or decrease) as deemed appropriate.

The determination of assessments is in accordance with specific laws adopted pertaining to each individual classification--utility assessments are determined in accordance with Constitutional Amendment, which requires assessments at 55% of value; railroad, private car, motor carrier, motor bus, and airline assessments are determined in accordance with The Railroad Revitalization & Regulatory Act (a/k/a "The 4-R Act") of 1976, The Motor Carrier Transportation Act of 1980, and The Tax Equity & Fiscal Responsibility Act of 1982, respectively. Such acts require the real property of these companies to be assessed at 40%, and personal property at 30%. The total assessment for all companies as determined by the Assessment Division for 1986 was $2,455,283,600. This amount was equalized based upon a county-by-county ratio factor as determined for each county by the TSBOE, in accordance with the 1977 ruling by the United State District Court for the Middle District of Tennessee, Nashville Division, The Honorable L. Clure Morton, presiding.

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[1] Initial assessments of Cellular Telephone Companies were conducted by the Commission this year.

[2] Approximately 42 utility companies and railroad companies contested their 1986 assessment, as set forth by the Commission, before the Tennessee State Board of Equalization.

As annual operations and holdings of transportation and utility companies continues to increase, the significance of the assessment process intensifies. Therefore, for the benefit of the Tennessee Public Service Commission, as well as for the benefit of the Assessment Division's employees, various educational opportunities are provided (e.g., workshops, seminars, and conferences) through the expertise of such organizations as International Association of Assessing Officers, National Association of Tax Administrators, Tennessee Association of Assessing Officials, and The Southern Association of State Property Tax Administrators.

Presently, the Assessment Division Staff consists of three (3) Certified Assessment Evaluators (CAE) (a professional appraisal designation from IAAO); one (1) Senior Real Property Appraiser (SRPA) (a professional appraisal designation from the Society of Real Estate Appraisers); and three (3) staff members are in the process of obtaining their professional designations, through the aforementioned educational opportunities.

ENGINEERING DIVISION

The Engineering Division generally involves itself in the following:

1. Administration of the Natural Gas Pipeline Safety Act of 1968.
2. General Technical Aid.
3. Information to interested parties.
4. Technical Associations and Conferences.
5. Training.

1. One of the major responsibilities of the Division is the administration of the Natural Gas Pipeline Safety Act of 1968. The Division is certified under Section 5(a) of the Act by the United States Department of Transportation, Office of Pipeline Safety, to enforce the provisions of the Act, Parts 191 and 192. The personnel in the Division consist of the Administrator of the Pipeline Safety Program, and five Pipeline Safety Inspectors located in different areas of the State.

There are 5 private gas utilities, 20 gas utility districts, 70 municipal gas systems, 5 intrastate pipelines, 37 housing authorities, 11 mobile home parks, 9 apartments, 5 motels, 1 miscellaneous master meter, and 20 direct sales customers from interstate transmission lines, for a total of 193 gas utilities under the pipeline safety jurisdiction of the Commission. Other than privately-owned utilities, the jurisdiction is for safety only.

During 1986, approximately 971 field inspections were made which resulted in the issuance of 75 citations. There were 7 accidents involving natural gas which were reported to the Division and investigated by the inspectors.

2. General technical aid is provided to the Commissioners and to other Divisions of the Commission as required. Provisions are contained in the utility rules and regulations for codes by which all utilities must abide. Technical interpretation of these codes is the responsibility of the Division.

3. Providing information to interested parties is done continually by the Division. Questionnaires from many sources are received, completed and returned on a variety of topics. Interviews are given and presentations to seminars and conferences are made.

4. Members of the Engineering Division served on the following technical committees in 1986: U. S. Department of Transportation, Transportation Safety Institute Pipeline Safety Training Committee, and Tennessee Gas Association Education Committee.

5. Members of the Division attended five one-week training sessions in pipeline safety sponsored by the U.S. Department of Transportation, Office of Pipeline Safety, and the Transportation Safety Institute in Oklahoma City, Oklahoma. Courses attended were: Safety Evaluation of Corrosion Control Systems, Failure Investigative Techniques, Joining of Pipeline Materials, Regulation and Overpressure Protection, and Pipeline Safety Enforcement Procedures.

Members of the Division attended numerous educational seminars and pipeline safety meetings during 1986. The Commission sponsored a three-day pipeline safety seminar in January with over 150 persons in attendance. Members of the Division attended and participated in the Federal-State Regional Pipeline Safety Meeting, and the Tennessee Gas Association Annual Conference and Fall Management Conference.

LEGAL DIVISION

The General Counsel's office is under the direction of Henry M. Walker, General Counsel, and Donald L. Scholes, Jeanne Moran, and Billye D. Sanders, Assistant General Counsels. They are assisted by Jean Carloss and Norma Lowe, legal secretaries, and law clerk Tracy Carns. The responsibilities of the office include the following:

1. Appearing as trial attorneys representing the Commission and the citizens of Tennessee in federal and state courts and in administrative procedings before the Federal Communications Commission, the Federal Energy Regulatory Commission, and the Interstate Commerce Commission.

2. Advising the general public and parties appearing before the Commission concerning legal matters at the agency.

3. Participating in hearings conducted by the Commission to represent the Commission Staff and the public interest.

4. Advising and counseling the Commission and its staff concerning legal issues.

5. Appearing before the State Board of Equalization and the courts in defense of the ad valorem tax assessments established by the Commission.

6. Representing the Commission in legislative proceedings in the United States Congress and the Tennessee General Assembly.

During the past year, the General Counsel's office, in addition to the discharge of its routine duties, has made more than 200 Commission and Court appearances. The General Counsel and his Assistants for the past twelve months have written more than three hundred orders pertaining to motor carriers, railroads, utilities, show cause and miscellaneous matters. The following is an abstract of the orders written by the Legal Division during the past twelve months of 1986:

1986	SMC	MC	R	U	MISC.	TOTAL
January	1	30	7	16		54
February	1	7	0	9		17
March	0	23	3	12		38
April	4	24	0	10		38
May	1	16	2	4		23
June	3	10	4	7		24
July	0	7	2	6	1	16
August	2	9	3	9		23
September	0	12	6	12		30
October	2	10	4	13		29
November	3	15	4	7		29
December	2	16	0	19		37
Total	19	179	35	124	1	358

TELECOMMUNICATION DIVISION

The Telecommunication Division's function is to review and analyze applications for new utility franchises or expansion, perform special investigations of utility problems and service evaluations requiring engineering skills, review and approve new construction plans for utility companies, provide technical assistance to the Commissioners and other Divisions, participate in telephone rate cases, and advise the Commission on telephone engineering matters.

The primary duties of the Telecommunication Division are more fully presented below:

1. Construction audit plans and results.
2. Construction estimate approval.
3. Depreciation studies for regulated utilities.
4. General technical aid.
5. Providing information to interested parties.
6. Rate cases.
7. Service evaluation.
8. Performance audits.

1. In completing the annual audit of construction plans and results for each utility under the Commission's jurisdiction, we review annual reports for plant additions, retirements, customer growth, average net plant investment, net operating income, past year's net income, average depreciation reserve, average common stock, average premium on capital stock and other capital, and average retained earnings.

We visit the companies and obtain data on major projects completed during the past year, major projects planned for this year, digital conversion schedule for telephone companies, level of held orders, total coming year's planned capital expenditures for all accounts, total coming year's planned retirements for all accounts, total coming year's projected depreciation expense, significant changes anticipated in revenue or expense for the coming year, and significant changes anticipated in capital stock or dividends for coming year. We review all projects completed during the past year for compliance with TPSC rule 1220.4.1.01. The Division conducted 20 construction audits during 1986.

2. The Division reviews and approves all construction projects with gross additions over a specified dollar limit for each utility under the Commission's jurisdiction. Each project requiring Commission approval is submitted to the Telecommunication Division, separated by grand divisions, and forwarded to the Communication Analyst in their respective jurisdiction for analyzation and approval. The Analysts check the plans and studies to see that applicable rules, regulations, and statutes are complied with and that the latest technical developments are being incorporated into design where necessary, feasible, and economical. Once approved the estimates are returned to the Director of Telecommunication for final review and transmitted back to the utilities. The Division Analysts follow the progress of selected projects by making field inspections. The Division reviewed 696 construction estimates during 1986.

3. The Director-Telecommunication assists the Utility Rate Division on completing the review and making recommendations for REA Loans and Depreciation Rates. Data submitted by the utilities and data supplied by this Division's programs are used to complete this task. The Division made recommendations for 3 Depreciation Studies and 1 REA Loan in 1986.

4. General technical aid is provided to the Commissioners and to other Divisions of the Commission as required. Provisions are contained in the utility rules and regulations for codes by which all utilities must abide. Technical interpretation of these codes is the responsibility of the Division.

5. Providing information to interested parties is done continually by the Division. Questionnaires from many sources are received, completed and returned on a variety of topics and presentations to seminars and conferences are made.

6. In rate cases, the Division reviews planning and engineering procedures, physical plant conditions, equipment and installation costs, service levels, completes transmission tests, prepares questions for cross-examination of company witnesses, and presents expert testimony. The Division presented testimony for 2 rate cases during 1986.

7. Telephone service evaluation involving special problems encountered by customers are completed where technical assistance is required. The Division handled 8 Special Investigations during 1986, made 1,614 Subscriber Opinion Survey calls during the first quarter of 1986, completed Facility Inspection and Tests at 1,116 customer locations in 1986, and completed 14 Central Office Inspection and Tests.

8. Performance audits are conducted as assigned by the Director and in association with rate hearings. After the audit is complete, the Analyst will submit a statement of positive and negative findings on the results of the Construction Audit, Utilization Audit, Subscriber Opinion Survey, Facility Inspection and Test, Central Office Inspection and Test, Complaint Levels, Trouble Reports, Telephone Company Line Insulation Test, Installation Commitments and Service Interruptions. Two Performance Audits were completed in 1986.

The Telecommunication Division consists of one Director, one Division secretary, one Communication Analyst - East Tennessee, one Communication Analyst - Middle Tennessee, and one Communication Analyst - West Tennessee.

TRANSPORTATION DIVISION

The Transportation Division has the responsibility of general supervision and regulation of Railroad and Motor Carrier within the State of Tennessee.

The Division is responsible for the enforcement of Railroad and Motor Carrier Safety Regulations, Hazardous Material Regulations, Motor Carrier Certification, Registration of Equipment, Agents for Service of Process and Insurance Requirements.

The Transportation Division is headed by a Director, a Manager of Transportation Investigation, a Manager of Motor Carrier Safety, a Manager of Administration, an Administrative Assistant, One Supervisor, Twelve Program Assistants, Nine Railroad Inspectors, four Transportation Investigators, and 106 Enforcement Officers.

The Transportation Division's staff of Enforcement Officers and Railroad Inspectors are assigned the duties of enforcing the Safety Requirements of Railroads and Motor Carriers and Motor Carrier Economic Regulations of the statutes of the State of Tennessee and Federal Statutes. In addition, the Division handles investigation of Complaints both Rail and Motor Carrier.

The Transportation Division is responsible for coordinating functions with the Federal Railroad Administration and the Federal Highway Administration of the Federal Department of Transportation.

MOTOR CARRIER SECTION

The Commission has power under TCA 65-1507 and 65-1510 to grant operating authority to motor carriers and contract haulers operating within the State. The Transportation Division is responsible for the physical processing of the application for new authority from the time the application is received until a final order is rendered either granting or denying a Certificate of Convenience and Necessity. The Division is responsible for reviewing an application to see that the proper information is filed; a hearing is set; proper notice is given; and the final order is distributed. The Division also assists in the technical analysis of the information submitted with the application for new authority.

Motor Carrier Officers conduct investigations when a request is made by the Tennessee Department of Safety and accidents/incidents of Hazardous Material are investigated upon request by the TN Emergency Management Agency.

During the period of January 1, 1986 through December 31, 1986, there was a total of 19,462 Motor Carriers qualified with the Commission to operate in Tennessee. Of these companies 9,731 were regulated truck companies and 899 were regulated bus companies. There were 8,313 exempt-for-hire companies, 444 intrastate truck companies, and 75 intrastate bus companies. The Transportation Division issued a total of 553,847 permit stamps and 13,880 trip lease permits and temporary wires during this period.

The Commission processed 35 applications for Certificates of Convenience and Necessity, 25 Contract Haulers Authority, 10 Emergency Temporary Authority, and 18 other Petitions relating to Intrastate traffic.

The Transportation Division's staff of Enforcement Officers are assigned the duties of enforcing the safety requirements and economic regulations of the Motor Carrier Act. During the year of 1986, the Enforcement Officers performed:

Driver-Equipment Compliance Checks		80,093
Out-of-Service Units		48,478
Citations		25,735
Economic Violations	6,403	
Safety Violations	23,004	
Hazardous Materials	1,375	
Other	366	

Formal Motor Carrier Complaints Handled 78

RAILROAD SECTION

The Railroad Section of the Transportation Division is responsible for the general supervision and regulation of the Railroads operating in the State of Tennessee. Included in this responsibility is the inspection of all new construction or expansion of rail facilities to determine their compliance with minimum clearance requirements, as well as walkway requirements set forth by the Commission. Further, all railroad accidents resulting in fatalities and major derailments are investigated by this section. Investigations of rail accidents/incidents resulting in the release of hazardous materials or derailment and damage to any railcar containing hazardous materials are conducted by this section.

The railroad section participates in the Federal/State Railroad Safety Inspection Program and has Federal Railroad Administration certified inspectors in the Motive Power and Equipment, Operating Practices and Track Disciplines. There is also a Signalization Inspector in training.

This section also investigates numerous complaints registered by Rail Labor Organizations, other State and Local Governments and concerned citizens regarding unsafe and unsanitary conditions existing on the rights-of-way Railroads operating within this State.

As of December 31, 1986, there were six Class I Railroads and ten Class II Railroads operating within the State. These sixteen Railroads have a total of approximately 2,958 miles of main and branch line track and approximately 1,504 miles of other track.

CLASS I RAILROADS

Burlington Northern Railroad Company
Illinois Central Gulf Railroad Company
Norfolk Southern Corporation (Southern Railway Company)
St. Louis-Southwestern Railroad Company
CSX Transportation (Seaboard System Railroad)
Union Pacific System (Missouri Pacific)

CLASS II RAILROADS

Caney Fork and Western Railroad Company
Corinth & Counce Railroad Company
East Tennessee Railroad Company
Nashville & Ashland City Railroad Company
Nashville & Eastern Railroad
Natchez Trace Railroad
South Central Tennessee Railroad Company, Inc.
Tennken Railroad
Walking Horse and Eastern Railroad Company
West Tennessee Railroad Company

DATA FOR JANUARY 1, 1986 THROUGH DECEMBER 31, 1986

ACCIDENT REPORTS FILED: 58 FORMAL COMPLAINTS HANDLED: 48

DAILY INSPECTIONS MADE: 1,301

SHOW CAUSE ORDERS: ISSUED 5 PENDING 4 DISMISSED 1 HEARD 4

APPLICATIONS FOR MINIMUM CLEARANCES: FILED 1 GRANTED 2 PENDING 0

PETITIONS (MISC.): FILED 9 GRANTED 13 PENDING 3 WITHDRAWN 1

TRANSPORTATION RATE DIVISION

The Transportation Rate Division is responsible for analyzing the revenue requirements and maintaining tariffs of over four hundred and fifty intrastate carriers.

Under the statutes, all regulated carriers are required to charge reasonable and non-discriminatory rates. Proposed changes in rates are analyzed in light of both the carrier and the public. To assure both interest are represented, carriers are required to give shippers advanced notice of increases and file verifiable financial information justifying proposed changes. If the change is not protested and is financially justified, the proposal is allowed to go into effect. When a proposal is protested or not sufficiently justified, the proposal is either modified or suspended.

During 1986, the Transportation Rate Division processed 770 tariff revisions. Most of the revisions represented rate reductions. The atmosphere in 1986 for carriers was characterized by rigorous competition in a generally improved economy. While insurance cost skyrocketed, fuel prices declined by over thirty percent. Overall carrier prices increased less than the general inflation rate.

In recognition of the competitive atmosphere, the Commission revised its tariff filing rates. The revision shortens the notice requirements for decreases and allows increases to become effective without a hearing if certain conditions are met. If a proposed increase is no greater than the general inflation rate, substaniated, and unprotested, it is allowed to go into effect after thirty days notice. The rules also requires certain tariffs to be consolidated and establishes standards for documentation of decreases and increases.

The Southern Motor Carriers Rate Conference, the largest group of general commodity carriers, was allowed to increase rates annually by 2.9 percent in 1986. The increase was more than offset by discounts filed by the individual carriers. The rate level for general commodity goods are less in Tennessee than those in effect on interstate basis. Rate levels for other freight carriers were kept below the interstate level. In no instant were rates allowed to increase greater than the annual general inflation rate under the Commission's new rule. Competition among these carriers also caused individual carriers to file rate reductions which overall reduced rate levels.

Bus rates were not increased in 1986, which was a marked contract to previous years under the Bus Reform Act of 1982. By 1985, bus carriers had increased their rates by sixty percent under the Act. Bus route discontinuances also significantly decreased in 1986. Only three carriers filed for route discontinuances. Two of the discontinuances were caused by bankruptcy. Gulf Transports and Tri-State Trailways went out of business in 1986.

In 1986, several audits were initiated in conjunction with the Transportation Division. The following areas are being investigated: (1) Contracts rates (2) Service and rate levels of general commodity carriers and (3) Estimates for household movers. The results of the investigation will be reported in 1987.

UTILITY RATE DIVISION

The Utility Rate Division has the responsibility of recommending and investigating rates for all telephone, mobilphone, gas, electric, water, and sewer companies under the jurisdiction of the Commission. In addition, the Utility Rate Division has the responsibility of reviewing, interpreting, and overseeing the implementation of the rules and regulations utilized by the utilities in administering approved rates.

Generally, the rates charged by the utility are based on the utility's overall cost of service. Proposed rates are submitted by the utilities in either the form of a rate petition or a tariff filing under the Commission's rules. Rate petitions are filed by utilities to affect general rate changes, and tariff filings are made to establish rates and charges for new services or to affect other changes in the utility's existing tariff.

The Utility Rate Division's investigation of petitions for general rate changes, includes the accumulation of data pertaining to the cost of specific services and the analysis of the rate relationships in order to make recommendations on rate design. During 1986, 7 general rate changes were investigated and implemented by the Division.

The Utility Rate Division also investigates proposed rates submitted as tariff filings under Rule 1200-4-1-.06. Rule 1220-4-8-.06 allows utilities to submit proposed changes or amendments to it's tariff provided that the Commission is given 30 days notice. Most of the tariffs filed under this rule, deal with new service offerings or the modifications of existing tariff offerings. These filings are reviewed to determine their reasonableness which entails an investigation of the cost studies submitted with the filings and the regulations implementing the new services. After the investigation is completed, the tariff filing may either be allowed to become effective, or suspended until formal action is taken by the Commission. During 1986, the Utility Rate Division processed 196 tariff filings from the following types of utilities:

Telephone	158
Gas	11
Water & Sewer	6
Mobilphone	16
Electric	5
TOTAL	196

In addition to the tariff filings the Utility Rate Division is charged with the responsibility of reviewing Purchase Gas Adjustments filed under Rule 1220-4-1-.12. Purchase Gas Adjustments are revised rate schedules submitted to the Public Service Commission by regulated natural gas distribution companies requesting an increase or reduction in their rates due to an increase or decrease in the rates charged by the pipeline suppliers of natural gas. The Utility Rate Division examines the computations included with each company's filing for accuracy and determines if such filings should be modified or adjusted in such a manner as to provide equitable treatment to all customers of said company. The Utility Rate Division processed 82 Purchase Gas Adjustments during 1986.

The Utility Rate Division maintains a complete and current file of all utility tariffs together with the rules and regulations used to administer the approved rates. The division is called on daily to interpret and oversee the administration of these tariffs. During 1986, 631 inquiries and complaints were received in the form of letters, telephone calls, or personal visits concerning utility rates or the rules and regulations to administer them. A breakdown of these complaints and inquiries by type of utility is as follows:

Telephone	529
Gas	33
Water & Sewer	13
Mobilphone	11
Electric	15
Non-regulated Utilities	30
TOTAL	631

The Utility Rate Division participates in depreciation rate studies for the utilities under the jurisdiction of the Commission. Depreciation rates are particularly significant since they are a material element in the cost of service of the utility. The staff of the Utility Rate Division joins with the Telecommunications Division in making these depreciation studies.

During 1986, United Inter-Mountain Telephone Company requested approval of increased depreciation rates which would increase annual accruals in Tennessee by $5,430,229. During a three-way meeting involving the staff of the Commission, the Company and the Federal Communications Commission, depreciation rates were agreed upon which resulted in an accrual reduction of $552,106 from their original request.

The Utility Rate Division also participated in the investigation of applications for approval of the issuance of additional capital. A review was made and recommendations were submitted to the Commission for their consideration on each of the applications.

The Director of the Utility Rate Division also serves as a member of the Staff Subcommittee on Communications of the National Association of Regulatory Utility Commissioners.

UTILITY SERVICE DIVISION

The Utility Service Division performs the staff work in the regulation of public utilities concerning service. This includes the investigation of all complaints received from customers concerning telephone, electric, gas, water, sewerage, mobilphone and long distance companies which are regulated by the Public Service Commission. The Utility Service Division also conducts service hearings, community meetings, service audits, and offers testimony at rate hearings regarding the quality of service.

The Public Service Commission regulates nineteen (19) telephone companies, one (1) electric company, six (6) gas companies, eleven (11) water companies, three (3) sewerage companies, and thirteen (13) mobilphone companies, and four (4) long distance companies.

Pursuant to T.C.A. 7-82-102, the Public Service Commission has only limited jurisdiction over utility districts. Moreover, the Public Service Commission cannot initiate an investigation of a utility district relative to rate and/or service until a petition is filed with the Commission by at least ten (10) percent of the residents within the authorized area of the public utility district.

The Utility Service Division is comprised of a director, one secretary, one stenographer, and six field investigators. In November of 1985, the Division reduced its staff of field investigators from nine to six. The Utility Service Division has field investigators stationed in Jackson, Memphis, McMinnville, Nashville, Church Hill and Knoxville.

Every complaint received in the Utility Service Division is assigned to an investigator for a comprehensive investigation. Moreover, the utility company against whom the complaint was filed is also required to conduct an investigation, and report its findings to the Utility Service Division. The findings of both investigations are reviewed by the Director for a final disposition.

Another function of the Utility Service Division is a consumer survey program. The purpose of this program is to determine the quality of service utility customers are receiving throughout the State. The investigator selects utility customers and conducts tests. The findings of each investigator are submitted to the Director's office for evaluation and appropriate action.

The Division also conducts tests of telephone equipment. This program involves the field investigator making test calls from various business and residential main stations to other business and residential main stations within the same exchange.

Also, test calls are made between exchanges to determine the adequacy of trunk lines. The public coin telephone investigation program is another function of the Utility Service Division.

The Utility Service Division's investigators test telephone subscribers' equipment which facilitates determining responsibility for subscriber outage.

The Utility Service Division receives petitions from telephone subscribers requesting to enlarge their calling scope, and then investigates the feasibility of the telephone company providing extended area service (EAS), and then conducts hearings concerning same.

FORMAL COMPLAINTS HANDLED AND INVESTIGATED BY THE UTILITY SERVICE DIVISION

	1982	1983	1984	1985	1986
TELEPHONE	1,905	1,896	1,883	1,507	1,495
WATER	102	66	73	53	45
SEWERAGE	0	0	0	0	0
ELECTRIC	15	14	21	16	13
GAS	66	64	62	42	54
MOBILPHONE	2	6	1	1	0
LONG DISTANCE COMPANIES	0	0	61	55	79
SPECIAL INVESTIGATIONS	365	304	493	355	197
*INQUIRIES	0	0	0	0	3,600

*The Utility Service Division did not keep record of inquiries until 1986.

OTHER FUNCTIONS AND PROGRAMS OF THE UTILITY SERVICE DIVISION

COMMISSION HEARINGS HELD IN FRANCHISED AREAS OF UTILITY COMPANIES	28	47	25	10	10
SERVICE MEETINGS HELD IN FRANCHISED AREAS OF UTILITY COMPANIES	5	4	1	1	1
CONSUMER SURVEY INTERVIEWS.	251	750	275	85	70
TEST CALLS	23,054	17,780	15,605	13,512	10.540
PUBLIC PHONE INSPECTIONS...	12,870	11,730	11,102	9,391	10,225

THE TENNESSEE PUBLIC SERVICE COMMISSION
ASSESSMENTS FROM 1877 THROUGH 1986

Total Assessed Value of all Property Assessed for Taxation by the Tennessee Public Service Commission.

Assessment Period	Property Assessed	Total
1877-78	Railroads.....$	13,757,105.85
1879-80	Railroads.....	16,375,894.40
1881-82	Railroads.....	27,016,100.12
1883-84	Railroads.....	31,547,292.23
1885-86	Railroads.....	31,547,582.01
1887-88	Railroads.....	32,290,302.10
1889-90	Railroads.....	43,789,707.74
1891-92	Railroads.....	38,341,488.67
1893-94	Railroads.....	40,703,845.50
1895-96	Railroads-Utilities.....	40,446,368.48
1897-98	Railroads-Utilities.....	50,546,129.14
1899-1900	Railroads-Utilities.....	56,546,129.14
1901-02	Railroads-Utilities.....	58,327,298.79
1903-04	Railroads-Utilities.....	60,602,713.29
1905-06	Railroads-Utilities.....	71,968,432.16
1907-08	Railroads-Utilities.....	87,047,269.79
1909-10	Railroads-Utilities.....	91,850,925.37
1913-14	Railroads-Utilities.....	111,757,070.29
1915-16	Railroads-Utilities.....	115,298,042.84
1917-18	Railroads-Utilities.....	122,283,134.74
1919	Railroads-Utilities.....	132,446,120.00
1920-21	Railroads-Utilities.....	272,859,649.00
1921-22	Railroads-Utilities.....	246,693,638.39
1923-24	Railroads-Utilities.....	255,576,486.93
1925-26	Railroads-Utilities.....	272,124,248.01
1927-28	Railroads-Utilities.....	284,441,185.62
1929-30	Railroads-Utilities.....	269,262,250.45
1931	Railroads-Utilities.....	286,834,959.36
1932-33	Railroads-Utilities-Motor Carriers.	264,979,408.62
1934-35	Railroads-Utilities-Motor Carriers.	252,378,706.89
1936-37	Railroads-Utilities-Motor Carriers.	250,762,477.94
1938-39	Railroads-Utilities-Motor Carriers.	266,115,405.00
1940-41	Railroads-Utilities-Motor Carriers.	181,373,956.00
1942-43	Railroads-Utilities-Motor Carriers.	198,132,778.00
1944	Railroads-Utilities-Motor Carriers.	238,642,162.00
1945-46	Railroads-Utilities-Motor Carriers.	318,458,325.00
1947-48	Railroads-Utilities-Motor Carriers.	351,037,699.00
1949-50	Railroads-Utilities-Motor Carriers.	344,902,221.00
1951-52	Railroads-Utilities-Motor Carriers.	384,792,690.00

1953-54	Railroads-Utilities-Motor Carriers.$	428,352,790.00
1955-56	Railroads-Utilities-Motor Carriers.	477,778,159.00
1957-58	Railroads-Utilities-Motor Carriers.	501,931,299.00
1959-60	Railroads-Utilities-Motor Carriers.	523,228,433.00
1961-62	Railroads-Utilities-Motor Carriers.	542,202,731.00
1963-64	Railroads-Utilities-Motor Carriers.	594,685,359.00
1965-66	Railroads-Utilities-Motor Carriers.	630,946,875.00
1967	Railroads-Utilities-Motor Carriers.	646,942,292.00
1968	Railroads-Utilities-Motor Carriers.	655,974,495.00
1969	Railroads-Utilities-Motor Carriers.	715,111,650.00
1970	Railroads-Utilities-Motor Carriers.	781,076,650.00
1971	Railroads-Utilities-Motor Carriers.	858,981,530.00
1972	Railroads-Utilities-Motor Carriers.	952,649,190.00
1973	Railroads-Utilities-Motor Carriers.	1,247,618,300.00
1974	Railroads-Utilities-Motor Carriers.	1,355,337,500.00
1975	Railroads-Utilities-Motor Carriers.	1,461,910,400.00
1976	Railroads-Utilities-Motor Carriers.	1,544,333,200.00
1977	Railroads-Utilities-Motor Carriers	1,318,596,498.00*
1978	Railroads-Utilities-Motor Carriers	1,303,085,502.00*
1979	Railroads-Utilities-Motor Carriers	1,261,372,484.00*
1980	Railroads-Utilities-Motor Carriers	1,478,530,645.00*
1981	Railroads-Utilities-Motor Carriers	1,383,758,500.00*
1982	Railroads-Utilities-Motor Carriers	1,485,236,811.00**
1983	Railroads-Utilities-Motor Carriers	1,770,085,812.00***
1984	Railroads-Utilities-Motor Carriers	1,921,142,687.00
1985	Railroads-Utilities-Motor Carriers	1,907,921,249.00*
1986	Railroads-Utilities-Motor Carriers	2,082,827,171.00*

*From 1977 to the present the State Board of Equalization ordered all assessments to be equalized.

**This figure does not include the personal property assessments for (4) four counties (Cannon, Lauderdale, Sevier and White) in which the State Board of Equalization has ordered this Commission to exempt the tangible personal property assessment for railroad, private car, motor carrier, motor bus and airline companies in the above named counties. The corrected assessment is not available at the time of this report.

***This figure does not include the personal property assessments for (3) three counties (Cannon, Sevier and White) and (1) one town (Town of Henning) in which the State Board of Equalization has ordered this Commission to exempt the tangible personal property assessment for railroad, private car, motor carrier, motor bus and airline companies in the above named counties. The corrected assessment is not available at the time of this report.